



APPENDIX 1

Demographic and Market Conditions for Magnolia Avenue



In 2003, as part of the General Plan 2025 process, Keyser Martson Associates (KMA) prepared an overview of demographic and market conditions for Magnolia Avenue to help determine land use designations for the corridor. KMA prepared demographic analyses for three- and five-mile radii around the two major retail nodes along the Magnolia/Market Corridor, Galleria at Tyler and Riverside Plaza. The demographic analyses provide insight on key factors affecting land uses, particularly retail uses, within the trade areas. The key findings of the demographic analysis and market factors for major land uses are summarized below.

Key Demographic Trends

- The Inland Empire (Riverside and San Bernardino counties) is the fastest growing region in the State of California. Population in this region increased approximately 26% from 1990 to 2000, as compared with the State benchmark of 14% over the same time span.
- Employment growth in the Inland Empire was robust between 1990 and 2000, adding an estimated 276,000 jobs according to the California Employment Development Department (EDD). The largest gains were achieved in the employment sectors of Services; Wholesale Trade; Transportation, Communication, and Utilities; Manufacturing; and Construction. Over 188,000 new jobs are forecast for the region between 2000 and 2005.
- Riverside County's population has burgeoned since 1990. According to Claritas, Inc., the County's 2003 population is 1.7 million, representing a robust increase of 43%.
- Current estimates indicate that the five-mile trade area surrounding Galleria at Tyler is populated by approximately 220,000 residents and 67,000 households, as compared with the five-mile trade area population of 252,000 residents and 79,000 households surrounding Riverside Plaza.
- Median household incomes in the three- and five-mile trade areas surrounding both the Galleria at Tyler and Riverside Plaza are roughly commensurate with the medians for the City and County. The strongest measure of household income, \$49,000 is found in Galleria's five-mile trade area as compared to \$45,000 and \$47,000 for the City and County, respectively.
- For the most part, age and income distribution within the three- and five-mile trade areas mirrors comparable City and County distributions.

***Retail Market Factors***

- Approximately 19 million square feet of retail development is scheduled for completion in the Inland Empire within the next two years.
- Many existing retail projects in the Inland Empire consist of large-format retailers and grocery- and drug store-anchored centers. The vast majority of new retail centers being developed/planned today are targeting the shopping preferences of the upscale residents arriving with the Inland Empire housing boom.
- Demand is increasing for open-air retail centers offering fashion, lifestyle, and entertainment retailers.
- Riverside is anchored by two large malls, Riverside Plaza, located in the Magnolia Center District, and Galleria at Tyler, located in the Galleria District.
- Galleria at Tyler is proposing to expand its existing mall to include a 16-screen cinema and several national lifestyle retailers.
- Large- to medium-format and specialty retailers (e.g., Pier One Imports, Lamps Plus, Bed Bath and Beyond, Sport Chalet) are located adjacent to Galleria at Tyler. These retailers tend to locate in affluent neighborhoods.
- Galleria at Tyler's primary retail competition in the Inland Empire includes Victoria Gardens, Promenade at Temecula, Ontario Mills and Moreno Valley Mall.
- The most recent new developments directly along the Magnolia Avenue corridor include (in addition to Riverside Plaza):
 - Lowe's Home Improvement Center located at the 9800 block of Magnolia
 - SavOn located at Magnolia and Adams (stand-alone)
 - Walgreens located at Magnolia and Central (stand-alone)
 - Staples located at Magnolia and Merrill
- With the exception of Galleria at Tyler, the majority of retail located along Magnolia Avenue consists of strip retail and street retail in older/former central business districts.



Office Market Factors

- New office space development in the Inland Empire is attributable to strong transportation infrastructure, vast amounts of available land for future growth and new buildings with lower asking rental rates than surrounding Southern California markets.
- Downtown Riverside offers numerous amenities to office users, although it finds itself competing against the less expensive suburban-style office buildings in surrounding communities.
- Class A¹ office space is mainly located in Downtown. These office buildings are amongst the highest rents in the Inland Empire.
- The bulk of the Riverside's office inventory is comprised of Class B and C¹ buildings. In terms of office properties, 97% of the inventory falls within these classifications. In terms of total inventory square footage, 86% of the inventory is in Class B and C buildings.
- Approximately 10% of the City's office properties, 753,000 square feet of space, are situated along Magnolia Avenue.
- The majority of the Magnolia Avenue office properties consist of one- or two-story buildings built during the 1980s. Roughly 60% of the Magnolia Avenue office buildings contain less than 10,000 square feet of space.
- Brockton Avenue within Magnolia Center is a unique mixed-use district including older Class B and C office properties. This area is comprised of one- to two-story, local- serving tenants, e.g. architects, dentists, law offices.

¹ Class A office space can be characterized as buildings that have excellent location and access, attract high quality tenants, and are managed professionally. Building materials are high quality and rents are competitive with other new buildings. Class B buildings have good locations, management, and construction, and tenant standards are high. Buildings should have very little functional obsolescence and deterioration. Class C buildings are typically 15 to 25 years old but are maintaining steady occupancy. Tenants filter from Class B to Class A and from Class C to Class B. In a normal market, Class A rents are higher than Class B which are above Class C. This makes sense because Class A buildings offer higher quality to the tenants and cost more to provide. (Source: Urban Land Institute).

**Industrial Market Factors**

- The Inland Empire has exhibited strong population and housing growth that has affected demand for all major land uses, especially employment. The Inland Empire continues to build on its strong economy and to develop its highly skilled labor force. The unemployment rate in the area continues to fall below national and statewide benchmarks.
- The Inland Empire is the second largest industrial market in Southern California following Los Angeles. The City of Riverside has the second largest space inventory in the market area known as East Valley - comprised of the cities of Colton, Corona, Rialto, Redlands, Riverside, Moreno Valley and San Bernardino. Corona, which borders Riverside to the west, has the largest inventory.
- The industrial land supply in Riverside is dwindling. Rough estimates indicate that fewer than 600 acres remain for development throughout the City. Very few large sites remain.
- Riverside operates its own power utility, providing an attractive incentive to potential tenants. On average, Riverside businesses can reduce power costs by 40%, as compared with Con Edison users.
- Though various industrial uses are scattered throughout Riverside, the City's three main industrial nodes are: (1) in the area surrounding Riverside Municipal Airport; (2) in Sycamore Canyon Business Park; and (3) in the 856-acre Riverside Regional Technology Park, which is known as Hunter Business Park. Hunter Business Park includes the 39-acre University Research Park, a business park focused on attraction of high-tech firms engaged in research and development of new products. The City estimates that the airport area has approximately 120 acres remaining for development on multiple sites under separate ownerships and Hunter Business Park has approximately 500 total remaining acres.
- Existing industrial/business park uses along the corridor provides an opportunity to expand and market the La Sierra District. This area has strong potential to achieve higher lease rates than other industrial areas of Riverside, given its westernmost location, freeway access, and proximity to Corona.



- Development of the planned 70-acre industrial park on property owned by La Sierra University could improve the district's identity as an employment center and stimulate opportunities to develop industrial uses on vacant sites within the district as well as opportunities to redevelop existing industrial properties.

Residential Market Factors

- The Inland Empire housing market ranks as the 11th fastest growing nationally.
- The Inland Empire continued to dominate the California housing market during the first half of 2003, with one in four new homes statewide built in Riverside and San Bernardino counties according to the Construction Industry Research Board.
- Actively selling detached homes in the City of Riverside average from \$372,000 to \$435,000. On a per square foot basis, the homes ranged from \$121 to \$141 per square foot. The average size home ranges from 2,700 to 3,500 square feet.
- There are no new residential developments directly along the corridor. The most recent large-scale residential home product closest to the Magnolia corridor is located north of the La Sierra District on land formerly owned by La Sierra University.
- The La Sierra University Specific Plan estimates the area will yield 1,769 units at build-out. Of the total number of units, 382 units are proposed to be of multi-family residential product. This new housing development is also known as Riverwalk.
- The Riverwalk master plan currently has six developments that are actively selling homes. Homes in these developments range in price from \$276,000 to \$575,000, or \$121 to \$173 per square foot.
- Mission Village, a new small-lot single-family detached home development, is located in Downtown Riverside at First and Market Streets. The project has finished construction and is currently marketing the units for sale. The two- and three-bedroom homes range in size from approximately 1,400 to 1,800 square feet. Sales prices for the homes begin the low \$200,000s.



- Fairfield Residential recently broke ground on a large-scale apartment complex. Located on a 14-acre site at the southwest corner of Highway 91 and Van Buren Boulevard, the Fairfield project will contain 256 units, for an average density of 18 units per acre. The Fairfield project averages monthly rents of \$1,240, or \$1.35 per square foot. The development will offer upper-end amenities, including some detached garages.
- According to rental data provided by Homestore.com and ForRent.com, average monthly rents in the City of Riverside range by type of unit, for example one-bedroom units, \$796 or \$1.12 per square foot, two-bedroom units, \$962 or \$1.02 per square foot, and three-bedroom units, \$1,240 or \$0.99 per square foot. The average complex was built in 1985.
- Of the 33 surveyed apartment complexes in the City of Riverside, 11 complexes were located along the Magnolia corridor.
- The average monthly rental rates of surveyed apartment complexes along the Magnolia corridor also range by unit type, for instance one-bedroom units are \$752 or \$0.99 per square foot, two-bedroom units, \$870 or \$0.92 per square foot, and three-bedroom units, \$960 or \$0.79 per square foot. The rents along the corridor are lower than that of the City and have an average year built of 1979.
- Opportunities along the corridor are present for in-fill residential with product types such as small-lot single-family homes and apartments/lofts.